

## GREAT EASTERN LIFE (PARTICIPATING FUND 2)

# PARTICIPATING FUND UPDATE FOR 2018

As our valued policyholder of participating policy, we are pleased to provide you an update on the performance of the Participating Fund 2 ("Fund").

Year 2018 had been a tumultuous year for the global economy. Rising political tensions arising from US-China trade conflict, interest rate hikes by the US central bank, concerns over economic slowdown in China and Eurozone were amongst factors that had weighed on market sentiments and impacted investors' confidence. Equity markets were adversely hit, with the major equity indices reporting the worst investment performance seen since the 2008 global financial crisis. Against this backdrop, the Fund ended the year with an overall investment loss of 3.02%. As at December 2018, the market value of the Fund was S\$8.0 billion and we have paid out S\$1.1 billion in benefits to policyholders over the year.

Despite the underperformance in investment, we have maintained the bonus rates for year 2018. Moving forward, we will remain vigilant against the risks of global economic slowdown and increased market volatility. We will continue to manage the Fund prudently to provide a stable medium to long-term return to our policyholders.

*Participating Fund 2 as at 31 December 2018*

<i>2018 Fund Investment Return:</i>		<b>-3.02%</b>
<i>Total Assets:</i>	<b>S\$8.0b</b>	<b>S\$ 75m</b>
<i>Total Benefits Paid:</i>	<b>S\$1.1b</b>	<i>Value of bonus declared</i>

## ABOUT PARTICIPATING POLICIES AND BONUSES

### What is a participating policy and how does it work?

Premiums of participating policies are pooled together to form the Fund. This fund is invested in a range of assets such as bonds and equities and is used to pay benefits to policyholders as well as to fund management expenses.

Policyholders share in the performance of the Fund through bonuses which are non-guaranteed. Bonuses are determined yearly based on the Fund's combined performance in investment, claims (from death, critical illness and surrender) and expenses, as well as future outlook of these factors.

Bonus allocations are smoothed over a period of time to reduce fluctuations in the bonuses declared arising from market conditions.

### When will the bonus be allocated to my policy?

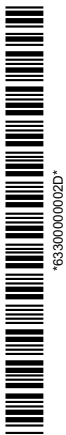
The bonuses allocated to you will vest upon your policy anniversary. They have been approved by the Board of Directors, taking into account the written recommendations by the Appointed Actuary.

### What is my bonus this year?

We are pleased to inform you that the bonus rates for year 2018 have been maintained.

Details of your bonus allocation for your participating policies are shown in the enclosed Bonus Statement. For annuity policies, you will receive the relevant statement within one month from your policy anniversary when the annuity payment is due.

If you wish to receive a copy of the updated Policy Illustration or make an enquiry, please email us at [wecare-sg@greasternlife.com](mailto:wecare-sg@greasternlife.com), call us on 1800-248 2888, or contact your Financial Representative.



# ABOUT THE PARTICIPATING FUND

## What were the Fund's investment returns and expense ratios?

	2016	2017	2018
Net Investment Return	4.64%	10.14%	-3.02%
Total Expense Ratio <sup>1</sup>	2.14%	1.89%	1.88%

<sup>1</sup>Total expense ratio is the proportion of total expenses incurred by the Fund to the assets of the Fund. Total expenses include investment, management, distribution, tax and other expenses.

## What factors affected the Fund's performance?

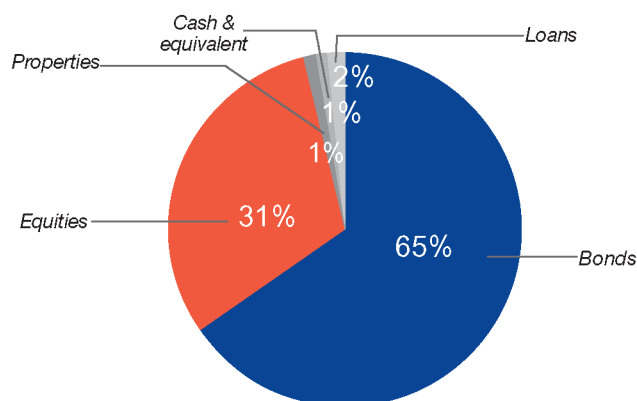
### 1. Performance of the global economy

According to the April 2019 IMF World Economic Outlook Report, global growth softened to 3.6% in 2018 after peaking at close to 4% in 2017. Global growth is projected to decline further to 3.3% in 2019 before returning to 3.6% in 2020.

Rising political uncertainties in the past year, especially in the area of trade where retaliatory tariff actions were taken between major economies, the woes and uncertainties of Brexit, interest rate hikes in the US, coupled with concerns over weaker global economic growth, contributed to dismal performance of the financial assets.

### 2. The asset mix of the Fund

Total market value of the Fund was S\$8.0 billion as at 31 December 2018 with the following asset mix:



### Bonds

US Treasury yields rose sharply for much of the year as US Federal Reserve raised interest rates four times. Outside of the US, German and Japanese 10-year bond yields fell, resulting in rising bond prices. In Singapore, the yield of 10-year Singapore Government Securities was largely flat in 2018.

Corporate bonds underperformed government bonds world-wide. Concerns over US-China trade war as well as other uncertainties from geo-political factors had contributed to widening of corporate spreads. Bonds in emerging markets also underperformed in 2018.

### Equities

After a stellar performance in 2017, 2018 had been a challenging year for the equity portfolio due to concerns over global trade and slowing economic growth.

All major equity indices experienced downturn. In the US, S&P 500, Dow and Nasdaq fell 4% to 6%. Outside of the US, EuroStoxx 50, Nikkei and Hang Seng indices fell 12% to 14%.

Top 5 Equity Holdings	% of Equity Holdings
DBS Group Holdings Ltd	2.9%
United Overseas Bank Ltd	2.0%
Tencent Holdings Ltd	1.5%
Singapore Telecommunication Ltd	1.4%
Taiwan Semiconductor Manufacturing Co. Ltd	1.4%

### Properties

Real estate funds saw improved return in 2018 due to positive divestments and income distributions. Property investments in the Fund comprise of investments in property funds which are held mainly for diversification and capital growth.

### 3. Non-investment factors

Other factors affecting the Fund's performance are mortality/morbidity claims, expenses and surrenders. The overall experience for the above factors is in line with expectations, except for surrenders which were lower than expected.

In 2018, benefit payments totaling S\$1,115 million were made to our policyholders of the Fund. Below is the breakdown of the benefit payments.

Benefit Payments of the Fund (S\$)			
Maturity and Survival Payments	1,070m	Surrender Payments	22m
Death, Total and Permanent Disability, Critical Illness Claims	21m	Annuities	2m

## What is the outlook for the Fund?

Looking ahead, 2019 appears to be more promising as risk assets have rebounded sharply due to more supportive central bank policy as well as progress in the US-China trade negotiation. There are concerns that the sharp rebound in risk assets has already reflected a recovery in global growth later in the year. Hence, weak economic data and earnings challenging the thesis that growth is picking up or new trade disputes could derail the recovery. Nevertheless, it would be premature to turn overly bearish as economic and corporate earnings growth are still expected to remain positive and the broader risks to global economy look contained. We will continue to manage the Fund prudently to provide you a stable medium to long-term return.

Bonuses to be declared will depend on the performance of the Fund, which is largely dependent on how actual investment returns compare with expectation. As such, they may be revised in response to the actual performance. On non-investment factors, mortality/morbidity claim and surrender experiences of the Fund are expected to remain stable in the near future, while expenses will continue to be monitored regularly for the Fund to remain cost efficient.

*This is a general commentary on the Fund and cannot be used to specifically describe individual policies.*

## About Great Eastern

A market leader and a well-established trusted brand in Singapore and Malaysia, Great Eastern was founded in 1908. With S\$85.0 billion in assets and over 4 million policyholders, it has three successful distribution channels – a tied agency force, bancassurance, and a financial advisory firm, Great Eastern Financial Advisers. The Group also operates in Indonesia and Brunei and has a presence in China as well as a representative office in Myanmar.

It was named Life Insurance Company of the Year at the Asia Insurance Industry Awards in 2011 and 2013 by Asia Insurance Review. The Great Eastern Life Assurance Company Limited and Great Eastern General Limited have been assigned the financial strength and counterparty credit ratings of "AA-" by Standard and Poor's since 2010, one of the highest among Asian life insurance companies. Great Eastern's asset management subsidiary, Lion Global Investors Limited, is one of the largest private sector asset management companies in Southeast Asia.

Great Eastern is a subsidiary of OCBC Bank, the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. Recognised for its financial strength and stability, OCBC Bank is consistently ranked among the World's Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore by The Asian Banker.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has more than 570 branches and representative offices in 19 countries and regions. These include over 300 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and more than 100 branches and offices in Hong Kong, China and Macao under OCBC Wing Hang.